

VZCZCXRO4717
PP RUEHBC RUEHDE RUEHDIR RUEHKUK
DE RUEHMO #3252/01 3111349
ZNY CCCCC ZZH
P 061349Z NOV 08
FM AMEMBASSY MOSCOW
TO RUEHC/SECSTATE WASHDC PRIORITY 0649
INFO RUCNIRA/IRAN COLLECTIVE
RUEHDX/MOSCOW POLITICAL COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 003252

SIPDIS

E.O. 12958: DECL: 11/06/2018
TAGS: [PGOV](#) [PREL](#) [ENRG](#) [ETRD](#) [MARR](#) [IR](#) [RS](#)
SUBJECT: RUSSIA-IRAN RELATIONS DRIVEN BY REGIONAL POLITICAL
AND ECONOMIC INTERESTS

REF: MOSCOW 2686

Classified By: Acting Political M/C David Kostelancik for reasons 1.4 (b/d).

¶1. (Summary): MFA Iran desk chief Maksim Ganzey provided us with an overview of Russian relations with Iran that he argued went beyond the nuclear issue and were based largely upon the GOR's need to work effectively with a country that had considerable ability to impact political and economic issues of concern to Russia. Ganzey organized Russian ties with Iran into several key policy areas, the most important of which were maintaining relations with an influential neighbor and engaging in a dialogue on regional issues such as the Caspian and Caucasus. The necessity of Russia doing so helped explain some of the differences Moscow had with Washington over Iran. Russia's Iran policy also depended upon increasing trade and energy cooperation, and, to a lesser degree, military sales. Russia saw Iran as an important consumer of Russian goods and, owing to the country's location, transit route for expanded trade with India and other Asian nations. End summary.

Regional Ties and Dialogue

¶2. (C) The MFA's Maksim Ganzey, a longtime participant in Russia-Iran relations, explained to us that Russia viewed Iran as an important neighbor despite the fact that the countries did not have a common border. Between them was the Caspian and the Caucasus, two regions that were important to Moscow politically and economically. The basic necessity for Moscow to maintain "good neighborhood relations" was an essential part of its approach toward Tehran, with which Russia has had diplomatic relations for 450 years.

¶3. (C) Russia maintained regular dialogue on international and regional issues with Iran, whose influence extended from its immediate neighborhood to the Middle East and South Asia. Moscow and Tehran typically discussed the appropriate role of the UN and other international organizations in diplomatic affairs, and were "very close" on Caspian-related issues such as energy cooperation and security, agreeing more with each other than with other countries in the region. Both were opposed, for example, to non-regional countries having a security presence in the region. When asked, Ganzey said that this position referred to "anybody" and was not directed toward the U.S.

Expanding Trade

¶4. (C) Russia saw Iran as an important trading partner, with USD 3 billion in annual trade, 90 percent of which consisted of Russian exports to Iran. Ganzey admitted that while this was not a particularly high level of trade, Russia considered Iran an important opportunity for expanding exports, both to and through Iran to its neighbors. Iran figured prominently in Russian plans to increase trade with Asia, particularly

India. In 2001, Russia, Iran, and India agreed to develop an international transit corridor that would rely upon a rail link through Iran, providing overland access for Russian exports to South Asia and connections to sea links to East Asia. Russia, Iran and Azerbaijan had also agreed to complete a rail link connecting Russia and Iran through eastern Azerbaijan, avoiding the problematic Nagorno-Karabakh region.

Energy Cooperation

15. (C) Ganzey explained that energy cooperation would be a key element in the future of Russia-Iran economic ties. The Bushehr nuclear power plant was an important "symbol of our cooperation" in this field, leading Medvedev to pledge during his August meeting with Ahmadinejad to overcome previous difficulties in completing the reactor (reftel). Ganzey stressed that the agreement the GOR signed in 1992 to complete Bushehr was made during a period of serious economic distress in Russia and was seen as essential to reviving the country's then failing nuclear industry. Completing the project, despite problems Iran might have with the international community on other issues, was important to demonstrate Russian reliability on such matters.

16. (C) Ganzey noted recent reports of a proposed Iran-Qatar-Russia gas troika, but added that the media had made too much of this idea, which was of greater interest to Tehran and Doha than Moscow. It was imperative for the Iranians and Qataris to find a way to divide the gas field they share, while Gazprom had expressed an interest in being

MOSCOW 00003252 002 OF 002

part of this project. Ganzey added that Russia continued to meet with Iran and other gas exporting countries to discuss various aspects of the gas industry, but was not ready to form a gas OPEC. Moscow could host a meeting of representatives of gas exporting states at the vice-ministerial level later in November.

Military Sales

17. (C) Ganzey said that Russian military sales to Iran were limited but important, if only because Iran was one of the few markets where the Russian defense industry did not face competition from the U.S. He insisted that the Iranians, who were the "masters of the black market," would develop their military regardless of attempts by the U.S. or others to prevent them from doing so. They purchased Russian-made weapons and spare parts from other sources before Moscow sold to them directly. Ganzey defended Russian arms sales to Iran as consisting only of defensive weapons, being conducted with transparency, and having end user guarantees. While some Russian weapons were found in Lebanon after the 2006 war with Israel, so were weapons from the U.S. and Great Britain, all of which probably came from the black market. High-tech weapons sold to Iran would not go to Hizbollah or other non-state actors that did not have the capability to properly maintain them. Ganzey added that the MFA had limited input on international weapons sales, the decisions for which were made by an interagency commission headed by the President.

Comment

18. (C) Cooperation with the U.S. at the UN on Iranian nuclear matters notwithstanding, Russia takes the view that engagement with Iran, including on military issues, is an important aspect of bilateral relations with a neighbor, in contrast to U.S. policy focused solely on the Iranian nuclear program.
BEYRLE